

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE OF THE COUNCIL OF THE  
CITY OF SANTA BARBARA AMENDING TITLE  
28 OF THE SANTA BARBARA MUNICIPAL  
CODE BY ADDING A NEW CHAPTER TO THE  
ZONING ORDINANCE, CHAPTER 28.43, IN  
ORDER TO ENACT AN INCLUSIONARY  
HOUSING REQUIREMENT FOR NEW LARGER  
RESIDENTIAL PROJECTS WITHIN THE CITY OF  
SANTA BARBARA.

Whereas, in June 2001, the City Council of the City of Santa Barbara (hereinafter the “City Council”) and the City Planning Commission held a joint work session to develop a new set of strategies to address significant and rapid changes in the availability and affordability of rental and owner occupied housing in the City. They decided that a concept appropriate for study was a possible Inclusionary Housing Program (IHP) that could provide units for middle-income households which households are not currently served by the City’s official Affordable Housing Programs and which households are comprised of individuals struggling to own homes in the current Santa Barbara market place and that such individuals are critical contributors to the community.

Whereas, in August 2001, recognizing that many new housing strategies were complex and potentially difficult to accomplish, the City Council formed the City Housing Action Task Force to develop and prioritize the most feasible and results-oriented strategies for immediate action in promoting new housing supply.

Whereas, in December of 2001, the City’s Housing Action Task Force released a report and recommendations for public and Council review. The Report recommended that the City consider the adoption of an Inclusionary Housing Program aimed at new larger projects residential in order to provide ownership housing assistance to middle-income households.

Whereas, in February 2002, the City Council concurred with the Housing Action Task Force report and recommendations and, as a result, initiated the consideration of possible City Zoning Ordinance (Santa Barbara Municipal Code Title 28) Amendments to develop a draft Inclusionary Housing Program and the City Council also designated a Housing Policy Steering Committee.

Whereas, in October 2002, the City Council authorized the negotiation of a contract with the firm of Economic & Planning Systems (EPS) in order to assist the City in developing a framework for an Inclusionary Housing Program enacted by amendments to the City Municipal Code.

Whereas, in 2003, the Institute for Local Self Government of the League of California Cities, released the California Inclusionary Housing Reader intended to assist local agencies in the area of housing policy options and in examining the policy tools that some local public jurisdictions have used to require the production of additional affordable housing, specifically the use of inclusionary housing ordinances.

Whereas, in 2003, The California Coalition for Rural Housing and the Non-Profit Housing Association of Northern California released “Inclusionary Housing in California: 30 Years of Innovation” showing that as of March 2003, one fifth of all localities in the state (107 California cities and counties) reported having approved or adopted inclusionary housing requirements in an effort to address affordable housing needs in their communities.

Whereas, in January 2003, the City of Santa Barbara Planning Commission received a presentation on the Santa Barbara County “South Coast Livable Communities” Housing Element Platform recommending that the City of Santa Barbara consider the adoption of an inclusionary housing requirement.

Whereas, in April 2003, a public workshop was held by the City with approximately 45 representatives of the building industry as well as interested citizens in order to review a draft Technical Memorandum concerning an Inclusionary Housing requirement which was prepared for the City by EPS.

Whereas, in May 2003, the City Planning Commission reviewed the Draft Housing Needs Chapter for the 2003 Housing Element Update and the Commission expressly found that housing needs for middle-income households is a major issue for approximately 10,700 middle-income households within the City of Santa Barbara.

Whereas, in June 2003, City Council updated the City of Santa Barbara Affordable Housing Policies and Procedures and, among other things, expanded the qualified household income categories for residential projects requesting density bonus under existing laws and City ordinances so that it included middle-income and upper-middle income households with between 120% and 200% of Area Median Income.

Whereas, in June of 2003 City Staff met with the Housing Policy Steering Committee to formulate the key components for a possible City inclusionary housing program (the “IHP”) and ordinance.

Whereas, in July 2003, the Draft IHP was presented to the City Planning Commission at a public hearing and the Commission made recommendations to the City Council concerning the draft IHP.

Whereas in August 2003, a complete Draft Housing Element for the City was released for review and the Element included a strategy to “consider adopting an inclusionary housing program to meet the housing needs of those not currently served by City Housing and Redevelopment Agency programs.”

Whereas in September 2003, the City Council gave conceptual approval to an inclusionary housing program and directed staff to develop an ordinance that reflected the recommendations of the Housing Policy Steering Committee and the Planning Commission.

Whereas, the City has obtained the following reports and reference materials concerning the subject of Inclusionary Housing and the proposed IHP:

1. Council Agenda Staff Reports (CARS) for the above meetings of June 2001, August 2001, December 2001, Feb. 2002, October 2002, Jan 2003, May 2003, and June 2003. There is a Planning Commission Report for the July 2003 meeting referenced above.

2. Reference materials that were used by the City in connection with the preparation of this Ordinance are as follows :

- California Inclusionary Housing Reader by the Institute for Local Self Government
- The City of Santa Barbara Affordable Housing Policies and Procedures
- Inclusionary Housing in California, 30 Years of Innovation prepared by California Coalition for Rural Housing and Non-Profit Housing Association of Northern California
- The Council Agenda Report for the joint Santa Barbara City Council/Redevelopment Agency meeting - Resolution for the Adoption of City Affordable Housing Policies and Procedures - June 24, 2003.

THE CITY COUNCIL OF THE CITY OF SANTA BARBARA DOES ORDAIN AS FOLLOWS:

**SECTION ONE:** In adopting this Ordinance, the City Council finds and determines as follows:

1. That both California and the City face a serious housing problem that threatens their economic security. Lack of access to affordable housing has a direct impact upon the health, safety and welfare of the residents of City. The City will not be able to retain a healthy environment without additional affordable housing . The housing problem has an impact upon a broad range of income groups including many who are not impoverished by standards other than those applicable to California's and the City's housing markets, and no single housing program will be sufficient to meet the housing need.

2. The RAND California corporation, using data from the California Association of Realtors, has determined that less than five percent (5%) of all households in the City earn the minimum of annual income necessary to purchase a residence priced at the median sale price of a single family residence in the City. A lack of new Inclusionary Units will have a substantial

negative impact on the environment and economic climate because: a. housing will have to be built elsewhere, far from employment centers and therefore commutes will increase, causing increased traffic and commuting demand and consequent noise and air pollution; and b. City businesses will find it more difficult to attract and retain the workers they need. Inclusionary housing policies contribute to a healthy job and housing balance by providing more affordable housing close to employment centers.

3. That among City groups with unmet housing needs are families earning between 120% to 200% of the Area Median Income of Santa Barbara County and desiring to purchase a home.

4. The development of new market-rate housing encourages new residents to move to the City. These new residents will place demands on services provided by both public and private sectors. Some of the public and private sector employees needed to meet the needs of the new residents do not earn adequate incomes to pay for market rate housing. Because housing affordable to households earning between 120% and 200% of Area Median Income is in short supply within the City, these employees may be forced to live in less than adequate housing within the City, pay a disproportionate share of their incomes to live in adequate housing within the City, or commute ever-increasing distances to their jobs from housing located outside the City. These circumstances harm the City's ability to attain goals articulated in the City's General Plan and strain the City's ability to accept and service new market-rate housing development.

5. The California Legislature has required each local government agency to develop a comprehensive, long-term general plan establishing policies for future development. As specified in the Government Code [at Sections 65300, 65302(c), and 65583(c)], the plan must: a. "encourage the development of a variety of types of housing for all income levels, including multifamily rental housing;" b. "[a]ssist in the development of adequate housing to meet the needs of low- and moderate-income households;" and c. "conserve and improve the condition of the existing affordable housing stock, which may include addressing ways to mitigate the loss of dwelling units demolished by public or private action."

6. The City of Santa Barbara has a very effective set of housing programs to rehabilitate, develop, and protect affordable housing units. However, while approximately 12% of the City's housing stock is affordable to very-low, low, and moderate income households, 90% of this affordable housing is rental housing, and there is an increased need to create home ownership opportunities for Middle Income and Upper-Middle Income households.

7. The citizens of Santa Barbara seek a well-planned, aesthetically pleasing and balanced community, with housing affordable to very-low, low moderate, Middle and Upper-Middle Income Households. Affordable housing should be available throughout the City, and not restricted to a few neighborhoods and areas. However, there may also be trade-offs where constructing affordable units at a different site than the site of the principle project may produce a greater number of affordable units without additional costs to the project applicant. Thus, the City finds that in certain limited circumstances, the purposes of this Chapter may be better served by allowing the Applicant to comply with the inclusionary requirement through alternative means, such as the payment of in-lieu fees, development of offsite housing or dedication of land. For example, if a project applicant can produce a significantly greater number of affordable units

off-site, then it may (but not always) be in the best interest of the City to permit the development of affordable units at a different location than that of the principal project.

8. Federal and state funds for the construction of new affordable housing are not available to fully address the problem of affordable housing for Middle Income and Upper-Middle Income Households within the City. In addition, the private housing market has not provided adequate housing opportunities affordable to Middle Income and Upper-Middle Income Households.

9. The City is aware that there may be times when the inclusionary housing requirements place upward price pressure on market-rate housing. In weighing all the factors, including the significant need for housing that is affordable to Middle Income and Upper-Middle Income households, the City has made the decision that the community's interests are best served by the adoption of the inclusionary housing ordinance.

SECTION TWO: Title 28 of the Santa Barbara Municipal Code is amended by adding Chapter 28.43 which reads as follows:

#### **28.43.010. Purposes and Intent.**

A. The purposes and intent of this Chapter, which shall be known as the "City of Santa Barbara Inclusionary Housing Ordinance," are the following:

1. To encourage the development and availability of housing affordable to a broad range of Households with varying income levels within the City;
2. To promote the City's goal to add affordable housing units to the City's housing stock;
3. To increase the availability of housing opportunities for Middle Income and Upper-Middle Income households within the City limits in order to protect the economic diversity of the City's housing stock, reduce traffic, commuting and related air quality impacts, and reduce the demands placed on transportation infrastructure in the region, and
4. To implement policies of the Housing Element of the General Plan which include: a. adopting an inclusionary housing program to meet the housing needs of those not currently served by City Housing and Redevelopment Agency programs; and b. encouraging the development of housing for first time home buyers, including moderate and Middle Income households.

#### **28.43.020. Definitions.**

As used in this Chapter, the following terms shall have the meaning and usage indicated below:

**A. AFFORDABLE HOUSING POLICIES AND PROCEDURES.** The City's Affordable Housing Policies and Procedures as adopted by the City Council of the City of Santa Barbara and amended from time to time.

**B. AFFORDABLE HOUSING INCLUSIONARY FUND.** That special fund of the City established by the City as provided in Section 28.43.130.

**C. AREA MEDIAN INCOME.** The median household income as provided in Section 50093(c) of the California Government Code, as it is currently enacted or hereinafter amended.

**D. APPLICANT.** Any person, firm, partnership, association, joint venture, corporation, or any entity or combination of entities, which seeks City approvals for all or part of a Residential Development.

**E. HOUSEHOLD.** One person living alone or two or more persons sharing residency whose income is considered for housing payments.

**F. INCLUSIONARY HOUSING PLAN.** A plan for a residential development submitted by an Applicant as provided by Section 28.43.090(b).

**G. INCLUSIONARY UNIT.** An Ownership Unit that must be offered to eligible purchasers [in accordance with eligibility requirements set by the City] at a City-approved affordable sale price according to the requirements herein.

**H. MARKET-RATE UNIT.** An Ownership Unit in a Residential Development that is not an Inclusionary Unit.

**I. MIDDLE INCOME HOUSEHOLD.** A Household whose income is between one hundred twenty percent (120%) and one hundred sixty percent (160%) of the Area Median Income, adjusted for household size.

**J. OFF-SITE INCLUSIONARY UNIT.** An Inclusionary Unit that will be built separately or at a different location than the main development.

**K. ON-SITE INCLUSIONARY UNIT.** An Inclusionary Unit that will be built as part of the main development.

**L. OWNERSHIP UNIT.** A dwelling unit that may be sold separately under the requirements of the State Subdivision Map Act. For purposes of this Chapter, a dwelling unit may be designated as an Ownership Unit whether or not it is rented by the owner thereof. The following shall be considered to be a single Ownership Unit: 1. a dwelling unit together with an attached Secondary Dwelling Unit approved under Chapter 28.94.030(BB), or 2. a dwelling unit together with an additional dwelling unit on the same lot approved under Chapter 28.94.030(X) of the City's Municipal Code.

**M. RESIDENTIAL DEVELOPMENT.** The proposed development of any single family, duplex or condominium Dwelling Units in residential or mixed-use developments

requiring a tentative subdivision map under the City's Subdivision Ordinance. Residential Development shall include the conversion of rental housing to condominiums or similar uses as described in Chapter 28.88 of this Municipal Code.

**N. RESIDENTIAL LOT SUBDIVISION.** The subdivision of land into individual parcels where the application to the City for the subdivision approval does not include a concurrent request for City design approval of the residential dwelling units or homes to be constructed upon on such lots.

**O. TARGET INCOME.** A number, expressed as a percentage of Area Median Income, used in calculating the maximum sale price of an affordable housing unit. It is the household income to which the unit is targeted to be affordable.

**P. UNIT SIZE.** All of the usable floor area within the perimeter walls of a dwelling unit, exclusive of open porches, decks, balconies, garages, basements, cellars that extend no more than two (2) feet above finished grade, and attics that do not exceed a floor-to-ceiling height of five (5) feet.

**Q. UPPER-MIDDLE INCOME HOUSEHOLD.** A Household whose income is between one hundred sixty percent (160%) and two hundred percent (200%) of the Area Median Income, adjusted for household size.

#### **28.43.030. Inclusionary Requirements.**

**A. GENERAL REQUIREMENT.** For all Residential Developments of ten (10) or more dwelling units, at least fifteen percent (15%) of the total units must be constructed and offered for sale as Inclusionary Units restricted for owner-occupancy by Middle Income or Upper-Middle Income Households as specified herein.

**B. RESIDENTIAL LOT SUBDIVISIONS.** For all Residential Lot Subdivisions where the lots to be approved would permit the eventual development of ten (10) or more Dwelling Units, the Applicant shall pay an in-lieu fee corresponding to fifteen percent (15%) of the number of Dwelling Units that might eventually be built on the lots, or the Applicant may propose an alternative means of compliance with this Chapter pursuant to Section 28.43.080 below.

**C. EXISTING DWELLING UNITS.** Existing Ownership Units that are to be retained shall be included in the number of units in the Residential Development for purposes of calculating the number of Inclusionary Units required under this Section; however, the number of such existing units to be included in the calculation shall not exceed the number of proposed new Ownership Units to be added.

**D. DENSITY BONUS UNITS.** Any additional owner-occupied units authorized and approved as a density bonus under the City's Affordable Housing Policies and Procedures will not be counted in determining the required number of Inclusionary Units.

**E. ROUNDING.** In determining the number of Inclusionary Units required by this Section, any decimal fraction less than 0.5 shall be rounded down to the nearest whole number, and any decimal fraction of 0.5 or more shall be rounded up to the nearest whole number.

**F. PRICE LIMITS FOR INCLUSIONARY UNITS.** Inclusionary Units must be restricted for sale at affordable prices as follows:

1. Except as provided in the following subsections, Inclusionary Units must be restricted to and sold at prices affordable to Middle Income Households, calculated according to procedure specified in the City's Affordable Housing Policies and Procedures [applicable as of the date of Planning Commission approval] using a Target Income of one hundred twenty percent (120%) of the then current Area Median Income.
2. The Community Development Director may approve a Target Income of one hundred thirty percent (130%) of Area Median Income for Inclusionary Units built as duplexes, or exceptionally large condominiums, in accordance with the City's Affordable Housing Policies and Procedures.
3. Inclusionary Units built as detached single family homes, each on its own separate lot, must be restricted to and sold at prices affordable to Upper-Middle Income Households, with sale prices calculated according to the procedure specified in the City's Affordable Housing Policies and Procedures using a Target Income of one hundred sixty percent (160%) of Area Median Income.
4. Nothing herein shall preclude a Applicant/owner from voluntarily agreeing to restrict the Inclusionary Units for sale to very-low, low or moderate income households at the Target Incomes specified for such income categories in the City's Affordable Housing Policies and Procedures.

**G. COMBINING RESIDENTIAL DEVELOPMENTS.** If two proposed Residential Developments that share a common boundary are under development review by the City simultaneously, such developments will be treated under this Chapter as if they were combined for purposes of determining the number of Inclusionary Units or Inclusionary Lots required under this Chapter, provided they are proposed by the same Applicant or by joint Applicants which share a substantial legal commonality of ownership and control. Applicants which are related partnerships or corporations will be deemed to share a substantial commonality of ownership and control if more than sixty percent (60%) of the natural persons who are general partners are the same for each partnership or, in the case of corporate ownership, the applicant individual or entity controls sixty percent (60%) of more of the voting stock or shares of each corporation.



#### **28.43.040. Exemptions.**

**A. PROJECTS EXEMPTED FROM INCLUSIONARY REQUIREMENTS.** The requirements of this Chapter shall not apply to the following types of development projects:

1. **Rental Units.** A project constructing Dwelling Units which may not be separately owned or conveyed under the state Subdivision Map Act.
2. **Pending Complete Applications.** A Development Project which has submitted an application for Development Plan approval which application was deemed complete by the Community Development Director prior to September 23, 2003.
3. **Casualty Reconstruction Projects.** The reconstruction of any residential units or structures which have been destroyed by fire, flood, earthquake or other act of nature which are being reconstructed in a manner consistent with the requirements of Santa Barbara Municipal Code Section 28.87.038.

#### **28.43.050. Incentives for On-site Housing.**

**A. PROVIDING UNITS ON-SITE.** An Applicant who elects to satisfy the inclusionary housing requirements of this Chapter by producing owner-occupied Inclusionary Housing units on the site of a Residential Development shall be entitled to a density bonus for the number of Inclusionary Units to be provided on-site, in accordance with the City's density bonus program for owner-occupied units as described in the City's Affordable Housing Policies and Procedures.

**B. USE OF ZONING ORDINANCE MODIFICATIONS.** The City may provide modifications in zoning requirements that will facilitate increased density for the purpose of accomplishing the goals of this Chapter, including modifications to parking, setback, yard area, lot area, open space and solar access requirements as specified in Section 28.92.026 of this Municipal Code.

#### **28.43.060. Affordable Housing Standards.**

**A. CONSTRUCTION STANDARDS FOR INCLUSIONARY UNITS.** Inclusionary Units built under this Chapter must conform to the following standards:

1. **Design.** Except as otherwise provided in this Chapter, Inclusionary Units must be dispersed evenly throughout a Residential Development and must be comparable in construction quality and exterior design to the Market-rate Units constructed as part of the Development. Inclusionary Units may be smaller in aggregate size and may have different interior finishes and features than Market-rate Units so long as the interior features are durable, of good quality and consistent with contemporary standards for new housing.
2. **Size.** The average number of bedrooms in the Inclusionary Units must equal or exceed the average number of bedrooms in the Market-rate Units of the Development. Absent a waiver from the Community Development Director, two bedroom Inclusionary Units

shall generally have at least one and one-half bathrooms, and three bedroom Inclusionary Units shall generally have at least two bathrooms. However, the required number of bathrooms shall not be greater than the number of bathrooms in the Market-rate Units. The minimum Unit Size of each Inclusionary Unit shall be in conformance with the City's Affordable Housing Policies and Procedures.

**3. Timing of Construction.** All Inclusionary Units must be constructed and occupied concurrently with or prior to the construction and occupancy of Market-rate Units of the Development. In phased developments, Inclusionary Units may be constructed and occupied in proportion to the number of units in each phase of the Residential Development.

**4. Duration of Affordability Requirement.** Inclusionary Units produced under this Chapter must be legally restricted to occupancy by Households of the income levels for which the units were designated pursuant to and in conformance with the City's Affordable Housing Policies and Procedures.

#### **28.43.070. In-lieu Fees.**

**A. PAYMENT OF IN-LIEU FEE TO CITY.** The requirements of this Chapter may also be satisfied by paying an in-lieu fee to the City for deposit into the City's Affordable Housing Inclusionary Fund as such fund is provided for in Section 28.43.130.

**B. CALCULATION OF IN-LIEU FEE.** The in-lieu fee for each required Inclusionary Unit that is not constructed on-site will be calculated as of the date of Planning Commission final approval in a manner sufficient to make up the monetary difference between the following: 1. the Estimated Production Cost of a condominium unit in the City as defined in this Section, and 2. the price of a dwelling unit affordable to a Low-Income Household calculated according to the procedure specified in the City's Affordable Housing Policies and Procedures for a two-bedroom unit. The target income for this calculation shall be seventy percent (70%) of Area Median Income and the housing-cost-to-income ratio for this calculation shall be thirty percent (30%). The Estimated Production Cost shall be deemed to be the median sale price of condominium units in the City less a fifteen percent (15%) adjustment to reflect a Applicant/developer's anticipated profit. The median sale price of condominium units in the City shall be established by the City Council, based on data provided by the Santa Barbara Association of Realtors or other source selected by the City Council, for sales during the four most recent calendar quarters prior to the calculation. The City Council may annually review the median sale price of two bedroom condominium units in the City, and may, based on that review, adjust the in-lieu fee amount.

As of the date of the adoption of this Chapter, the median sale price of two bedroom condominium units in the City for the four most recent calendar quarters was \$500,000, the Estimated Production Cost was \$425,000, the Area Median Income was \$64,700, the price of a two bedroom dwelling unit affordable to a Low-Income Household was \$115,000, and the in-lieu fee based on the above calculation was \$310,000.

**C. PRORATING.** If the calculation for the required number of Inclusionary Units as provided in Section 28.43.030 results in a fraction of a unit, the amount of in-lieu fee for such fractional unit shall be prorated.

**D. REDUCTION OF IN-LIEU FEE FOR SMALLER UNITS.** For Residential Developments, the amount of the in-lieu fee shall be reduced where the average Unit Size of the Market Rate Units is less than 1700 square feet, according to the following:

1. If the average Unit Size of the Market Rate Units is between 1,400 and 1,699 square feet, the in-lieu fee shall be reduced by fifteen percent (15%)
2. If the average Unit Size of the Market Rate Units is between 1,100 and 1,399 square feet, the in-lieu fee shall be reduced by twenty percent (20%)
3. If the average Unit Size of the Market Rate Units is between 800 and 1,099 square feet, the in-lieu fee shall be reduced by twenty-five percent (25%)
4. If the average Unit Size of the Market Rate Units is below 800 square feet, the in-lieu fee shall be reduced by thirty percent (30%)

**E. TIMING OF PAYMENT OF IN-LIEU FEE.** The timing of payment of the in-lieu fee varies according to the type of development, as follows:

1. **Generally.** For new construction, the in-lieu fee shall be paid prior to the issuance of a building permit for the Development; for phased-construction developments, payment of the applicable in-lieu fees shall be made for each portion of the Development prior to the issuance of a building permit for that phase of the Development. In the event that the Applicant/developer intends to pay the in-lieu fee from proceeds of a bank construction loan, and such bank requires the issuance of a building permit prior to funding the construction loan, the Applicant/developer may request that the Community Development Director issue the building permit prior to payment of the fee. The Community Development Director may approve such request provided the Applicant/developer agrees in writing that the fee will be paid within ten (10) days after the issuance of the building permit, and further agrees that the building permit will be deemed revoked by the City and work undertaken pursuant to the building permit stopped if the in-lieu fee is not paid within such ten day period.
2. **Condominium Conversions.** For condominium conversions, payment of the in-lieu fee shall be made prior to recordation of the Final Subdivision Map.
3. **Residential Lot Subdivisions.** For Residential Lot Subdivisions, payment of the in-lieu fee shall be made prior to recordation of the Final Subdivision Map.

**F. DELAYED PAYMENT.** When payment is delayed, in the event of default, or for any other reason, the amount of the in-lieu fee payable under this Section will be based upon the greater of the fee schedule in effect at the time the fee is paid or the fee schedule in effect at the time of Planning Commission approval.

## **28.43.080. Alternative Methods of Compliance.**

**A. ALTERNATIVE METHODS OF COMPLIANCE - APPLICANT PROPOSALS.** An Applicant, at the Applicant's option, may propose an alternative means of compliance with this Chapter by submitting to the City an Inclusionary Housing Plan prepared in accordance with the following alternative compliance provisions:

**1. Off-Site Construction.** All or some of the required Inclusionary Units may be constructed off-site if the Planning Commission (or the City Council on appeal) finds that the combination of location, unit size, unit type, pricing, and timing of availability of the proposed off-site Inclusionary Units would provide equivalent or greater benefit than would result from providing those Inclusionary Units on-site as might otherwise be required by this Chapter. Prior to the recordation of the Final Subdivision Map for the Residential Development subject to the inclusionary requirements of this Chapter, the Applicant shall post a bond, bank letter of credit, or other security acceptable to the Community Development Director, in the amount of the in-lieu fee per Section 28.43.070, which the City may call and may deposit in the Affordable Housing Inclusionary Fund and may spend in accordance with the terms of that Fund in the event that the off-site inclusionary units are not completed (as evidenced by the issuance of a certificate of occupancy for such units) according to the schedule stated in the Inclusionary Housing Plan submitted by the Applicant and prior to the completion and occupancy of the Residential Development.

**2. Dedication of Land For Affordable Housing Purposes.** In lieu of building Inclusionary Units on or off-site or the payment of in-lieu fees, an Applicant may choose to dedicate land to the City [or a City-designated non-profit housing developer] under circumstances where the land is suitable for the construction of Inclusionary Units and under circumstances which the Planning Commission (or the City Council on appeal) reasonably has determined to be of equivalent or greater value than would be produced by applying the City's current in-lieu fee to the Applicant's inclusionary housing obligation.

**3. Combination of Approaches.** The Planning Commission (or the City Council on appeal) may accept any combination of on-site construction, off-site construction, in-lieu fees and land dedication which, in the Planning Commission's or City Council's determination, would provide equivalent or greater benefit than that which might result from providing Inclusionary Units on-site.

**B. DISCRETION OF PLANNING COMMISSION OR CITY COUNCIL.** The Planning Commission (or the City Council on appeal) may approve, conditionally approve or reject any alternative proposed by a Applicant as part of an Affordable Housing Plan. Any approval or conditional approval must be based on a finding that the purposes of this Chapter would be better served by implementation of the proposed alternative. In determining whether the purposes of this Chapter would be better served under the proposed alternative, the Planning Commission (or the City Council on appeal) should consider the extent to which other factors affect the feasibility of prompt construction of the Inclusionary Housing Units, such as site design, zoning, infrastructure, clear title, grading and environmental review.

## **28.43.090. Inclusionary Housing Plan Processing.**

**A. GENERALLY.** The submittal of an Inclusionary Housing Plan and recordation of an approved City affordability control covenant shall be a pre-condition on the City approval any Final Subdivision Map and no building permit shall issue for any Development to which this Chapter applies without full compliance with the provision of this Section. This Section shall not apply to exempt projects or to projects where the requirements of the Chapter are satisfied by payment of an in-lieu fee under Section 28.43.070.

**B. INCLUSIONARY HOUSING PLAN.** Every residential development to which this Chapter applies shall include an Inclusionary Housing Plan as part of the application submittal for either development plan approval or subdivision approval. No application for a tentative map, subdivision map, or building permit for a development to which this Chapter applies may be deemed complete until an Inclusionary Housing Plan is submitted to and approved by the Community Development Director as being complete. At any time during the formal development review process, the Community Development Director may require from the Applicant additional information reasonably necessary to clarify and supplement the application or determine the consistency of the Project's proposed Inclusionary Housing Plan with the requirements of this Chapter.

**C. REQUIRED PLAN ELEMENTS.** An Inclusionary Housing Plan must include the following elements or submittal requirements:

1. The number, location, structure (attached, semi-attached, or detached), and size of the proposed Market-Rate and Inclusionary Units and the basis for calculating the number of Inclusionary Units;
2. A floor or site plan depicting the location of the Inclusionary Units and the Market-rate Units;
3. The income levels to which each Inclusionary Unit will be made affordable;
4. The methods to be used to advertise the availability of the Inclusionary Units and select the eligible purchasers, including preference to be given, if any, to applicants who live or work in the City in conformance with the City's Affordable Housing Policies and Procedures;
5. For phased Development, a phasing plan that provides for the timely development of the number of Inclusionary Units proportionate to each proposed phase of development as required by Section 28.43.060.A.3 of this Chapter;
6. A description of any modifications as listed in Section 28.87.230 that are requested of City;
7. Any alternative means designated in Section 28.43.080.A proposed for the Development along with information necessary to support the findings required by Section 28.43.080.B for approval of such alternatives; and

8. Any other information reasonably requested by the Community Development Director to assist with evaluation of the Plan under the standards of this Chapter.

**D. AFFORDABILITY CONTROL COVENANTS.** Prior to issuance of grading permit or building permit, whichever is requested first, a standard City affordability control covenant must be approved and executed by the Community Development Director, executed by the Applicant/Owners, and recorded against the title of each Inclusionary Unit. If subdivision into individual property parcels has not been finalized at the time of issuance of grading permit or building permit, an overall interim affordability control covenant shall be recorded against the Residential Development, and shall be replaced by separate recorded affordability control covenants for each unit prior to issuance of a Certificate of Occupancy by the City for such units.

#### **28.43.100. Eligibility for Inclusionary Units.**

**A. GENERAL ELIGIBILITY FOR INCLUSIONARY UNITS.** No Household may purchase or occupy an Inclusionary Unit unless the City has approved the Household's eligibility, and the Household and City have executed and recorded an affordability control covenant in the chain of title of the Inclusionary Unit. Such affordability control covenant is in addition to the covenant required in Section 28.43.090 above. The eligibility of the purchasing household shall be established in accordance with the City's Affordable Housing Policies and Procedures and any additional eligibility requirements agreed upon in writing by the Applicant and the City.

**B. OWNER OCCUPANCY.** A Household which purchases an Inclusionary Unit must occupy that unit as a principal residence, as that term is defined for federal tax purposes by the United States Internal Revenue Code.

#### **28.43.110. Owner-Occupied Units; Sales Price; Long Term Restriction.**

**A. INITIAL SALES PRICE.** The initial sales price of an Inclusionary Unit must be set in accordance with the City's Affordable Housing Policies and Procedures, using the Target Income requirements specified in this Chapter.

**B. TRANSFERS AND CONVEYANCES.** A renewal of the affordability controls covenant will be entered into upon each change of ownership of an Inclusionary Unit and upon any transfer or conveyance (whether voluntarily or by operation of law) of an owner-occupied Inclusionary Unit as such covenants are required in accordance with the City's Affordable Housing Policies and Procedures.

**C. RESALE PRICE.** The maximum sales price and qualifications of purchasers permitted on resale of an Inclusionary Unit shall be specified in the affordability control covenant and shall be in conformance with the City's then approved and applicable Affordable Housing Policies and Procedures.

## **28.43.120. Adjustments and Waivers.**

**A. ADJUSTMENTS AND WAIVERS.** The requirements of this Chapter may be adjusted to propose an alternative method of compliance with this Chapter in accordance with Section 28.43.080 or waived (in whole or in part) by the City if the Applicant demonstrates to the Planning Commission (or the City Council on appeal) that applying the requirement of this Chapter would be contrary to the requirements of the laws of United States or California or the Constitutions thereof.

**B. TIMING OF WAIVER REQUEST.** To receive an adjustment or waiver, the Applicant must make an initial request of the Planning Commission for such an adjustment or waiver and an appropriate demonstration of the appropriateness of the adjustment or waiver when first applying to the Planning Commission for the review and approval of the proposed Residential Development development plan or subdivision review as such review and approval is required by either Title 28 or Title 27 of the Santa Barbara Municipal Code.

**C. WAIVER AND ADJUSTMENT CONSIDERATIONS.** In making a determination on an application to adjust or waive the requirements of this Chapter, the Planning Commission (or the City Council on appeal) may assume each of the following when applicable: (i) that the Applicant is subject to the inclusionary housing requirement or in-lieu fee; (ii) the extent to which the Applicant will benefit from inclusionary incentives under Section 28.43.050; and (iii) that the Applicant will be obligated to provide the most economical Inclusionary Units feasible in terms of construction, design, location and tenure.

**D. WRITTEN DECISION.** The Planning Commission (or the City Council on appeal) will determine the application and issue written findings and a decision within sixty (60) days of the public hearing on the Adjustment/Waiver Request.

**E. APPEAL TO THE CITY COUNCIL.** Upon a decision by the Planning Commission on the proposed overall residential development plan, any action taken by the Commission made pursuant to a request for an adjustment for an alternative method of compliance under Section 28.43.080 or for a waiver pursuant to this Section, may be appealed to the City Council in accordance with the appeal procedures of Santa Barbara Municipal Code 1.30.050.

## **28.43.130. Affordable Housing Inclusionary Fund.**

**A. INCLUSIONARY FUND.** There is hereby established a separate City Affordable Housing Inclusionary Fund ("Fund") maintained by the City Finance Director. This Fund shall receive all fees contributed under Sections 28.43.070 and 28.43.080 and may, at the discretion of the City Administrator, also receive monies from other sources.

**B. PURPOSE AND LIMITATIONS.** Monies deposited in the Fund must be used to increase and improve the supply of housing affordable to Moderate-, Low-, and Very Low-Income Households in the City. Monies may also be used to cover reasonable administrative or related expenses associated with the administration of this Section provided that the City shall, at all time, comply with the applicable provisions and requirements of the state Mitigation Fee Act, Govt. Code Sections 66000 - 66025.

**C. ADMINISTRATION.** The fund shall be administered by the Community Development Director, who may develop procedures to implement the purposes of the Fund consistent with the requirements of this Chapter and any adopted budget of the City.

**D. EXPENDITURES.** Fund monies shall be used in accordance with City's Housing Element, Redevelopment Plan, or subsequent plan adopted by the City Council to construct, rehabilitate or subsidize affordable housing or assist other governmental entities, private organizations or individuals to do so. Permissible uses include, but are not limited to, assistance to housing development corporations, equity participation loans, grants, pre-home ownership co-investment, pre-development loan funds, participation leases or other public-private partnership arrangements. The Fund may be used for the benefit of both rental and owner-occupied housing in accordance with the applicable requirements of the state Mitigation Fee Act, Govt. Code Sections 66000 - 66025.

**E. COMMUNITY DEVELOPMENT DIRECTOR'S ANNUAL REPORT.** The Community Development Director, with the assistance of the City Finance Director, shall report annually to the City Council on the status of activities undertaken with the Fund. The report shall include a statement of income, expenses, disbursements and other uses of the Fund. The report should also state the number and type of Inclusionary Units constructed during that year.